United States
Department of Agriculture

Foreign Agricultural Service

April 1984

Foreign Agriculture

Remote Sensing By Satellite: New Eyes for Agriculture

Marketing News

Florida Agri-Business Trade Show Scheduled

The **Florida Department of Agriculture and Consumer Services** is sponsoring the 14th Annual Florida International Agri-Business Trade Show at the Florida State University fairgrounds in Tampa May 10-11, 1984.

The Agri-Business Trade Show will feature livestock, agricultural equipment and machinery. Events will include a cattle judging and a horse show. The trade show is preceded by the Latin American Livestock and Poultry Short Course at the University of Florida in Gainsville, May 6-9. The short course will be conducted in Spanish for Latin American visitors.

For further information, contact John Stiles, Florida Department of Agriculture. Tel. (904) 448-7970.

MEF Opens Singapore Office

The **U.S. Meat Export Federation (MEF)** has opened an office in Singapore to expand its market development activities in the region of the Association of South East Asian Nations (ASEAN). U.S. red meat and variety meat exports to ASEAN nations during the first nine months of 1983 totaled $8.7 million.

Foo Meng Hian will head the office, coordinating market development activities for U.S. red meat products in Singapore, Thailand, Malaysia, Indonesia, the Philippines and Brunei. He is a former market analyst for the Office of the Australian Trade Commission. Hian can be contacted c/o The U.S. Agricultural Trade Office, FPO San Francisco 96699. Tel. 733-4255. Telex RS 33229 USATO. MEF Asian director Phil Seng will continue to oversee MEF's overall Far East market development program from MEF's Tokyo office.

Pakistanis Learn About Grain Handling, Storage

Kansas State University (KSU) may be a long way from Pakistan, but chances are that training received at KSU will have a big effect on grain policies of that nation. For four weeks in December, central government and province officials representing Pakistan's Ministry of Food and Agriculture were at KSU participating in a course on grain storage, handling, marketing and engineering. The course was planned by KSU's Food and Feed Grain Institute and financed by the World Bank.

The 11 officers received instruction and participated in field trips in all areas of grain marketing, grain quality control, storage, engineering and facility management, explained Ekramul Haque, an institute agricultural engineer who coordinated the course.

"In the past few years, Pakistan has experienced impressive growth in its cereal grain production," said Haque. "They have moved from a grain deficit country to a grain surplus country. This is especially impressive in a country where the population growth continues at a high pace."

Although Pakistan's wheat production is up, storage facilities have not kept pace. To solve this problem, the World Bank devised the Pakistani Food Grain Storage Project. The project has three phases—construction of warehouses, establishment of a federal laboratory for grain testing and study tours covering engineering and construction for grain storage, grain quality control, mechanical grain handling and storage management, design of warehouses, as well as maintenance, sanitation, economics and logistics in the grain industry.

Improvement of storage has become essential. Prior to 1977, the capacity for wheat storage in public sector warehouses was about 1.2 million tons. This capacity has increased to about 3.8 million. Upon their return to Pakistan, the group members began overseeing the establishment of six new laboratories in different provinces to conduct grain quality testing, as well as the upgrading of four existing laboratories in Punjab.

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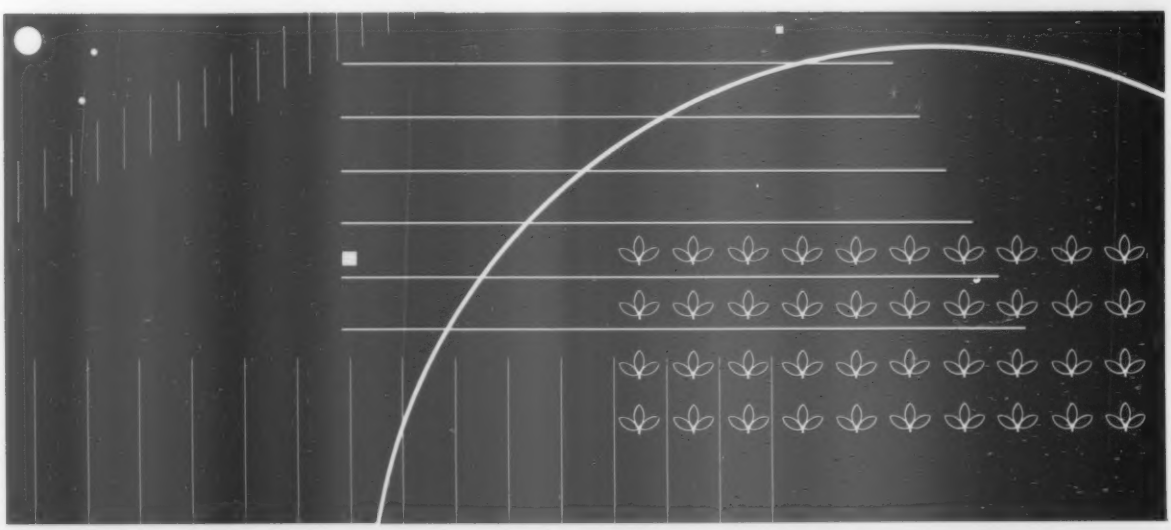


A New Dawn for Satellite Imagery: Every 99 Minutes

By Bobby Spiers

It chases the morning sunlight westward at 17,000 miles per hour, sending back images of dark oceans and multicolored continents that span the horizon.

The view from 435 miles above the Earth is breathtaking. But to the trained eye, the forms and colors reveal much more than a panorama of our planet's surface.

Launched in July 1982, Landsat 4, an advanced version of previous imaging satellites, is sending back data bearing on U.S. export prospects that would be virtually impossible to obtain from Earthbound observation posts.

FAS analysts help the agency predict import needs and export capabilities in a number of countries by tracking the development of crops through "remote sensing,"—analysis by satellite data.

Besides gathering satellite information on planting and harvesting, Landsat's eye helps keep track of water supplies, deforestation, changes in farm-related cultural practices and soil and plant moisture conditions in many countries.

Global Coverage

Although Landsat sends back images of every spot on Earth, USDA analysts concentrate their observations only on countries in which the United States has a continuing interest.

Today, these include the Soviet Union, Eastern Europe, Brazil, Argentina, Mexico, Australia, China and India.

Turning Data Into Images

Larry Davis, the FAS analyst who tracks agricultural conditions in South America, calls up Landsat data on Argentina on a series of high-resolution screens. Argentina is of interest to the analysts because it is a major grain producer and also a competitor with U.S. grains in many markets around the world.

A world map appears on one of the screens and, using a light pen, Davis gently touches the section he wishes to see in more detail. In a second or two, an enlarged "window" of Argentina is displayed on the top half of the screen and a "menu" of commands appears below. Another screen offers an enlarged picture of the terrain—a 225-square-mile portion of the Rosario region in Argentina, that country's principal soybean producing area.

A second menu appears that allows him to display vegetative data, crop calendars for selected commodities, and soils and meteorological information. Davis selects a display of the Rosario area that compares soil moisture for two six-month periods, one last year and the other in 1982. The computer also allows him to select 10-day ranges of meteorological data to analyze from that region.

"That is an unplowed field," he says, pointing to a small grey rectangle on the screen, "now let's look ahead a few days." Another image appears. But now, 32 days later, the rectangle is darker, showing that its surface is rough and less reflective to sunlight.

He juggles the images back and forth electronically until he finds the date range in which the rectangle turned dark. "Between Aug. 31 and Sept. 15, 1983. That's when they plowed the field," Davis says.

Because of the limits of Landsat's image resolution, analysts cannot always determine the type of crop planted in an area. From 435 miles up, wheat and barley, for example, appear virtually identical during most of the growing season.

For this reason, analysts must become experts on areas of the world they study. There is much that remote sensing cannot tell them about a country—agricultural trends, government agricultural policy, transportation networks, and export and import capabilities. Only by blending this information with imagery can analysts understand the meaning of what they see on the screens.

Satellite Signals Beamed From Space Are Relayed To Cross The Horizon

About 4,500 satellites orbit the Earth today, performing many tasks.

Some, like Landsat, send back aerial pictures from space for surveillance and mapping. Others transmit data from one part of the Earth to another.

A Landsat 4 image of the Rosario region in Argentina, (opposite), shows many areas under various stages of crop cultivation. Dark area in upper right is a lake. Larry Davis, an FAS satellite data analyst,(above), inspects an electronic map to select an area he wishes to observe more closely.

Many communications functions require the use of two or more satellites to direct information where it is needed. Landsat cannot perform its job alone because the curvature of the Earth prevents it from sending signals over the horizon. To overcome this barrier, two other satellites are used to complete the communications relay.

Landsat 4 transmits its data first to a Tracking and Data Relay Satellite (TDRS) that orbits at the same speed as the Earth, which means it remains in a fixed position over the coast of Brazil. The information then goes to a communications station in White Sands, N.M., a site chosen because it averages less cloud cover than any other part of the United States.

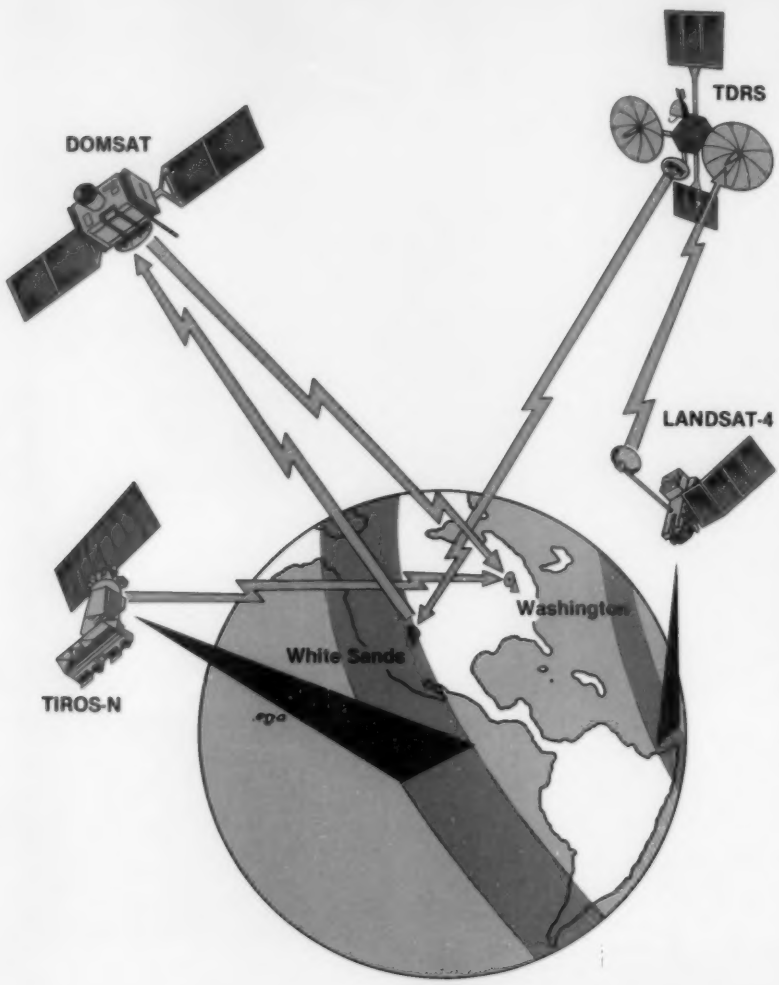
The final leg takes the data back into space to a Domestic Communications Satellite (DOMSAT) for transmission to the Washington, D.C., area. DOMSAT orbits in a fixed position over the United States.

Although Landsat appears to move in a westerly direction each time it turns around the Earth, it actually remains in a generally polar orbit, and the Earth rotates eastward beneath it.

As a result, every time Landsat crosses the equator in its "sun synchronous" orbit, it is about 9:30 a.m. in that part of the world. Each orbit places the satellite 1,800 miles west of the previous one, allowing it to cover the entire planet every 16 days.

The Tiros Team

Even a satellite that moves at 17,000 miles per hour, crosses the equator every 99 minutes and travels over virtually all of the Earth's surface in two weeks may not always be at the right place at the right time. To complement Landsat's function, USDA uses two additional observation satellites called "Tiros-N".



The Tiros team, also in sun-synchronous orbit, is capable of performing the same basic function as Landsat in reporting worldwide agricultural information to USDA. One Tiros follows the afternoon sunlight and the other tracks the morning sunlight.

But Landsat and the Tiros satellites differ considerably in their ability to "see." Tiros satellites can observe a part of the Earth that spans about 25 degrees, a distance from the Rocky Mountains to the East Coast, compared to Landsat's 100-mile field of vision.

However, due to the tremendous amount of data generated by this 25-degree view, and distortion at scene edges, USDA keeps only the data from a 5-degree center portion.

One Pixel Worth A Thousand Words

Through the use of a U.S. Air Force grid designation, the Earth is divided into a half million "cells," each measuring about 25 by 25 nautical miles.

Cells are then further divided into quadrants, and data is stored according to the quadrant from which it was derived. Landsat's resolution allows it to distinguish an area roughly the size of an acre. This lowest common denominator of data storage is called a "pixel." To put together an image of a particular area, USDA analysts key in the pixels that correspond with each quadrant.

Like the three previous Landsats launched between 1972 and 1978—all of which have exceeded their expected lifespans—Landsat 4 and Tiros-N do not use photographic cameras to record data. Sensors record different wavelengths of reflected energy, each separated optically by filters. On-board computers encode the data into pixels which are then transmitted back at about 15 million each second. On Earth, the pixels are then decoded and reformed into images. ■

The author is deputy director, Foreign Crop Condition Assessment Division, FAS. Tel. (202) 475-5126.

The Caribbean Basin Initiative: Its Implications for U.S. Traders

By Gretchen Stanton

In August 1983, President Reagan signed into law the Caribbean Basin Economic Recovery Act, better known as the Caribbean Basin Initiative (CBI). This legislation provides for duty-free treatment of virtually all imports from "designated" countries in the region (see Foreign Agriculture, June 1982).

Concern has been voiced about the legislation and its effects on a number of agricultural trade issues. Included here are 10 of the most frequently asked questions about CBI:

Q. *Will all 28 countries listed in the Caribbean Basin Economic Recovery Act receive duty-free treatment in the U.S. market?*

A. No, only those countries that meet certain criteria and are specifically designated by the President will receive duty-free treatment. Twenty countries were designated and began to receive[1] duty-free treatment on January 1, 1984. Some of the remaining seven countries have expressed interest in designation and the process of determining whether they meet the necessary criteria is underway.

Q. *Will imports from CBI beneficiaries be allowed into the United States free of all U.S. import restrictions?*

A. No, only the duty on imports will be suspended. Existing quantitative restrictions on some agricultural products (sugar, dairy, peanuts, cotton and, at times, beef) will not be affected by the CBI. In addition, all U.S. health and sanitary requirements as well as quality standards will continue to apply to imports from the Caribbean Basin.

Q. *Is the CBI likely to have a significant effect on U.S. agricultural production?*

[1] Antigua and Barbuda, Barbados, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Panama, Saint Christopher-Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago, the British Virgin Islands.

A. No, a large proportion of commodities produced by the CBI countries were entering the United States free of duty before this legislation became effective, either under the provisions of the Generalized System of Preferences (GSP) or because the regular rate of duty was zero. In addition, the production and export potential of the CBI countries is very small relative to that of the United States, so their exports are not likely to have a major effect on U.S. production.

Q. *Isn't duty-free access for sugar and beef products from the CBI countries likely to result in their becoming more dependent on just these two exports, perhaps to the detriment of the nutritional needs of their own populations?*

A. One provision of the CBI is that countries desiring to export sugar and beef products duty-free to the United States must submit a food plan to assure that the area in production of beef and sugar for export will not be expanded at the expense of the production of basic staple crops for domestic consumption.

An acceptable food plan must be submitted within 90 days after a country is designated in order for it to continue to receive duty-free treatment on sugar and beef products. The U.S. government will review the plan annually.

Q. What restrictions does the CBI place on sugar exports to the United States?

A. The quantity of sugar permitted from each country will continue to be determined by sugar import quotas under Section 22 of the Agricultural Adjustment Act. CBI sugar will be duty-free up to levels available under the Generalized System of Preferences (GSP), unless a different level is specified by the President upon the recommendation of the Secretary of Agriculture.

For those countries that were not eligible for GSP in 1981, duty-free treatment is limited to: 780,000 metric tons for the Dominican Republic, 210,000 metric tons for Guatemala, and 160,000 metric tons for Panama.

Because the Section 22 quota is generally less than the GSP levels, duty-free treatment on imports for consumption in the United States will be limited to the Section 22 quota level.

Over-quota sugar shipped to the United States under the re-export program will be permitted duty-free only until the GSP or above specified limits are reached. In addition, CBI countries must submit an acceptable food plan.

Q. *Will the food plan requirements or the quantitative limitations on sugar restrict CBI exports of alcohol produced from sugar?*

A. The CBI places no restriction on alcohol produced from sugar.

Q. *Horticultural products are likely to be among the principal exports of CBI countries. Have any steps been taken to protect U.S. producers from this increased duty-free competition?*

A. The CBI legislation provides for an emergency protection system for U.S. producers of perishable products that are being injured by duty-free imports under the CBI provisions.

This "fast-track" procedure allows the U.S. industry to request emergency relief through the Secretary of Agriculture when they file a request for import relief with the International Trade Commission (ITC) under Section 201 of the Trade Act of 1974.

The Secretary of Agriculture must decide within 14 days whether increased duty-free imports of fresh fruits and vegetables, nursery stock, cut flowers, or concentrated citrus juices under the provision of the CBI are the cause of or threaten material injury to the U.S. industry. If the Secretary decides that emergency action is warranted, the President must decide to act on his recommendation within 7 days.

The CBI duty-free treatment would be suspended until there is a change in circumstances or a decision is reached by the ITC.

Q. *Is there anything to prevent non-CBI countries from transshipping their products through the CBI area and thus benefitting from duty-free treatment?*

A. In order for goods to be eligible for duty-free treatment under the CBI, they must meet three tests under the rules-of-origin:

1) Be directly imported from the Caribbean;

2) Have a 35-percent minimum local content (including Puerto Rico and the U.S. Virgin Islands); and

3) Be a product wholly of the country or "substantially transformed" into a new and different article. Up to 15 percent of the 35-percent local content requirement can be provided by inputs from the United States. Pass-through operations are specifically prohibited by this section of the law.

The Customs Service is establishing regulations to carry out the rule-of-origin requirements. In the legislative report on the bill, Congress has stated several examples of what will not be considered "substantial transformation." This precludes "merely blending foreign and Caribbean tobacco, merely chopping or thrashing foreign tobacco without further manufacturing, or simply performing alterations of wrapper tobacco by stemming or cutting; merely diluting with water, such as reconstituting orange juice concentrate...."

This should adequately protect U.S. industry from non-CBI imports which could otherwise be transshipped through the CBI region.

Q. *How long will the CBI duty-free benefits last?*

A. The CBI provides for duty-free treatment until Sept. 30, 1995. However, designation as a beneficiary country can be withdrawn at any time if the President determines that, because of changed circumstances, the country no longer meets the designation criteria.

Q. *Is this duty-free treatment the only provision of the CBI?*

A. No, the one-way free trade program of the Caribbean Economic Recovery Act is one of three major CBI provisions. The same act provides beneficial tax treatment of Caribbean conventions if a designated country enters into an exchange-of-information agreement with the United States.

Separately, there was an increase in economic assistance to the region. Within USDA, the Office of International Cooperation and Development is coordinating the assistance programs to the Caribbean basin. ■

The author is with the International Trade Policy Division, FAS. Tel. (202) 382-1340.

Trade Updates

U.S. Exports to Arabian Peninsula Set Record

U.S. agricultural exports to the seven nations of the Arabian Peninsula in 1983 rose 8 percent from the previous year to a record high of $668 million. U.S. farm exports set records in 1983 to the Yemen Arab Republic (YAR) - $73.3 million, up 312 percent; Kuwait - $68.3 million, up 89 percent; Bahrain - $11.2 million, up 29 percent; Oman - $9.7 million, up 83 percent; and Qatar - $7.4 million, up 25 percent. U.S. farm exports to the United Arab Emirates (UAE) rose nearly 4 percent to $58.1 million, but were below 1980's record. Exports to Saudi Arabia fell 9 percent to $440.3 million (see August 1983 issue).

Stimulated by a blended credit arrangement and reduced Australian competition, U.S. wheat shipments in 1983 to the Yemen Arab Republic jumped to 344,000 tons worth $55 million. U.S. wheat exports to Kuwait and U.S. barley shipments to the UAE also rose sharply.— *David Young, FAS. Tel. (202) 382-9054*

Food Grains Lead List of U.S. Farm Sales to Top Four Arabian Markets

In million dollars

	1982				1983			
	Saudi Arabia	YAR	Kuwait	UAE	Saudi Arabia	YAR	Kuwait	UAE
Wheat and flour	80.6	1.0	—	0.2	70.3	54.7	16.6	0.3
Coarse grains	8.1	1.1	0.0	5.9	6.7	1.5	6.1	18.4
Rice	163.1	12.6	3.9	5.7	146.0	13.5	10.4	2.5
Vegetable oils	28.4	0.1	—	2.5	40.7	0.0	—	3.8
Fresh fruit	18.4	0.3	2.2	9.8	21.0	0.5	2.1	9.4
Other [1]	187.9	2.7	30.0	32.0	155.6	3.1	33.1	23.7
Total	**486.5**	**17.8**	**36.1**	**56.1**	**440.3**	**73.3**	**68.3**	**58.1**

— Less than $50,000.
[1] Includes many value-added products, such as canned vegetables and fruits, beef, poultry meat and other grocery items.

Canadians Sell Dairy Cattle to USSR

Canada has announced the sale of $650,000 worth of dairy cattle to the Soviet Union, the first such sale since the late 1960s. The sale was negotiated privately by a Canadian firm and includes an undisclosed number of heifers, bred heifers and bulls. A unique feature of the sale was that the shipment was comprised entirely of red and white Holsteins as opposed to the predominant black and white of Canadian holstein herds. Reportedly the Soviets felt that the red and white cattle would be more readily accepted by local farmworkers .

The Canadian Commercial Corporation (CCC) is assisting the private firm in a countrywide search for animals of red and white registry as well as assembly and quarantine. However, no CCC subsidy was involved in the sale.

It is expected that the USSR will also seek dairy cattle from the United States in the near future.— *Alexander Bernitz, Agricultural Counselor, Ottawa.*

U.S. and Canada Sign Safeguards Agreement

The United States and Canada recently signed a bilateral safeguards agreement which commits the two countries to follow GATT procedures in dealing with temporary import-relief measures. The agreement concerns how, in most instances, the United States and Canada will calculate compensation (or retaliation) related to emergency tariff increases or imposition of temporary import quotas.— *Robert Harper, FAS. (202) 382-1325.*

Exports a Smaller Share of U.S. Production in 1983

U.S. agricultural exports as a share of farm production fell to 21 percent in fiscal 1983 from about 23 percent the previous year. The share of wheat production exported was at the lowest level in six years—51 percent compared with a 1977-81 average of 64 percent. Likewise, exports also accounted for smaller shares of the corn, sorghum, rice and cotton crops. Soybeans were one of the few commodities that maintained the usual balance between production and exports. Over 50 percent of all U.S. soybeans (including meal and oil) were exported, as was the case in the past.—*Steve Milmoe, Economic Research Service. (202) 447-8054.*

Share of U.S. production going into export markets

Percent

Commodity	1979	1980	1981	1982	1983
Almonds	71	65	64	51	50
Beans, dried	27	38	55	50	24
Corn	29	30	35	24	22
Cotton	57	62	50	44	43
Rice	56	68	66	48	45
Sorghum	28	40	52	28	25
Soybeans	55	53	57	61	53
Sunflowerseed	80	61	100	81	53
Tobacco	36	46	35	31	31
Wheat	68	65	68	61	51

Japan Signs Agreement on U.S. Semen Imports

Japan's Livestock Semen Import Council (LSIC) and the United States' National Association of Animal Breeders (NAAB) recently signed an agreement setting the framework for Japanese imports of U.S. frozen bovine semen.

While imports may be limited during the first year, due to the cautious attitude of LSIC and lack of experience, trade sources believe that U.S. exports of semen to Japan could amount to approximately 500,000 units valued at $5 million in the second year. This amounts to about a fifth of the current Japanese market for holstein semen.

Still to be resolved is the question of trade in embryos, which was not addressed in the LSIC-NAAB agreement. The Japanese apparently wish to build their domestic base for embryo production, use and marketing before beginning talks with the United States and other foreign suppliers. However, the experience gained with semen imports should benefit embryo discussions.— *William L. Davis, Jr., Agricultural Counselor, Tokyo.*

Korea Cuts Wood Tariffs

The Republic of Korea in December has cut tariff rates on several wood products as part of a broader reform of its tariff reform program to be undertaken during 1984-88.

The wood products of interest to U.S. shippers affected by these cuts are:

—Plywood, particleboard and waferboard, which drop from a 30-percent to a 20-percent duty;

—Ash, hickory and walnut logs, which decline from 20 percent to 10 percent;

—Rough squared coniferous wood, where tariffs were cut from 10 percent to 5 percent.

Unaffected by the tariff changes are several other products of interest to U.S. producers, particularly lumber and veneer which still face 20-percent rates.— *Vernon Harness, FAS. (202) 382-8138.*

Australian Wheat Production Boom Spells Problems for U.S. Exporters

By Mary Ponomarenko

Australia's highly variable wheat output is once again a significant factor in world wheat markets.

Last season, a devastating drought severely reduced supplies and Australia was concerned about meeting the import needs of traditional buyers. The Australian shortfall provided opportunities for other exporting countries—including the United States—to market wheat surpluses.

But this season, a record Australian outturn has greatly intensified competition in world wheat markets. Australia is aggressively seeking buyers and it faces the additional challenge of marketing an exceptionally large volume of low-quality wheat.

It is clear that the increased competition the United States faces from huge Australian export availabilities will continue well into the next U.S. marketing year as the United States is expected to harvest one of the largest wheat crops in history.

Australian Crop Breaks All Records

Australian annual crop fluctuations of 30-40 percent are not uncommon. However, the 1983 wheat crop reached 21.4 million tons, more than 3 million tons greater than the 1978 record crop and almost double the poor 1982 outturn. Over the past five years, Australian wheat output has averaged about 14 million tons.

Initial jubilation over excellent conditions and steadily rising crop prospects soured when persistent rainfall delayed harvesting and resulted in huge quantities of weather-damaged, downgraded wheat.

During the past 10 years, about an average of 9 percent of wheat receivals fell into the Australian General Purpose (AGP) grade. This season an estimated 6.5 million tons—or more than 30 percent—of wheat was graded AGP.

Australia's Export Challenge

The bulk of the downgraded supply is reportedly good only for feed use, and the domestic market can absorb only limited quantities. The wheat must be stored separately to maintain the quality of other wheat, adding pressure to an already tight grain storage situation. With the choice of either exporting this wheat or stocking it, pressure is intense to move as much as possible into the world market.

To export the wheat, Australia will have to price it aggressively against feed grains. It has already heavily discounted producer payments.

The Initial wheat payment for the 1983/84 season was set at A$150 a ton (about U.S. $136). Reports indicate that dockage levels have ranged from A$3-A$25 a ton, depending upon whether the wheat is light weight, weather damaged, contaminated by weed seeds or has a combination of these problems. AGP wheat that contains sprouted kernels has automatically been docked A$20 a ton.

Reports indicate that Australia has sold some of this feed quality wheat to South Korea, a market that Australia has been eager to enter for years. Also, not all of the wheat downgraded to AGP is feed quality; it appears that there are substantial quantities of millable AGP wheat as well.

Competitive pricing, and the relative quality of this wheat, has apparently given Australia an advantage in moving increased volumes of wheat into Bangladesh and Sri Lanka.

Near-Record Exports Likely

While the Australian Wheat Board hopes to ship 14-15 million tons of wheat during the October-September 1983/84 marketing year, a near-record 13 million tons of wheat is more likely, given large competing supplies in other exporting countriries. That level would still be nearly double last season's level. Australia has exported an average of about l0 million tons annually over the past 5 years.

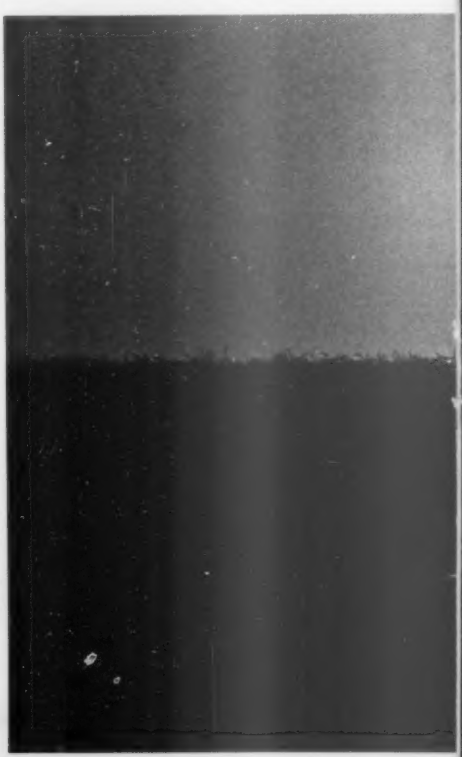
In contrast, U.S. wheat exports in the July-June 1983/84 period are expected to fall 2 million tons below last season to $38.1 million. In all, U.S. wheat exports have fallen by more than 10 million tons since 1981/82.

Aggressive Marketing Campaign Meeting Mixed Success

The Australian marketing campaign this season has included an effort to regain markets lost from last season.

Sales to the Yemen Arab Republic are expected to return to the previous level of about 400,000 tons. However, Australian exports to Indonesia may not reach the 600,000-700,000 tons of recent years. Intense competition in that market and short Australian supplies reduced its exports to only 300,000 tons last season, with Canada and the European Community benefiting from new sales. It is not at all clear whether Australia will be able to regain its place in Indonesia now that other exporters have a foothold in that market.

Australia also has been interested in additional long-term agreements with



traditional buyers, and has encouraged other traditional markets to take larger-than-usual quantities.

Australia has about 3 millions tons committed in long-term agreements and approximately another million in annual repeating contracts. Generally, it has not expanded agreement commitments as a marketing strategy.

Australian Wheat Board commitments under long-term agreements are limited to less than 30 percent of export availabilities, due to its history of highly variable production. This season, Australia is pushing to add an agreement with the Soviet Union. Australia also tried unsuccessfully to reinstate an agreement with Indonesia, another traditional buyer.

In recent years, wheat exports to Egypt, China and the Soviet Union have represented about half of Australian exports. This season's sales are no exception. Australia has already sold Egypt 2 million tons, China 2.8 million tons and 1.5 million tons to the USSR, with additional sales possible.

In addition to these large sales, Australia has tried to encourage other traditional markets to take larger quantities. Iraq has purchased 1.25 million tons, well above the 500,000-750,000 tons specified in their grain agreement and more than twice the quantities shipped last season.

Sales to Japan, on the other hand, have remained at the 900,000-ton minimum level, a disappointment to Australia, having shipped 1.6 million in some years.

But Australia has been very aggressive in pursuing new markets. In addition to penetrating the Korean market, it is approaching buyers all over the world. Recently an Australian marketing mission visited a number of drought-affected African countries, which raised hopes of increased sales to the region.

Australia has not only competitively priced wheat to gain access to markets, it has also increased credit offers.

Lower-grade wheat has not only been competitively priced to stimulate purchases, but a big push into new areas has been accompanied by an increased use of credit.

In the past, Australia has generally not used credit offers to stimulate sales. Egypt and China are the only wheat customers that have used credit with any amount of regularity. However, this season Australia has extended Iraq 2-year commercial credit. Additional credit is expected to cover sales to a number of other Middle Eastern, Asian Pacific and South American markets. ■

The author is an agricultural economist with the Grain and Feed Division, FAS. Tel. (202) 447-6219.

Fact File

USDA Cooperators: Partners in Promotion

Role in Market Development

The Foreign Agriculture Service (FAS) of the United States Department of Agriculture has the lead governmental role in developing farm markets overseas. An important part of the FAS export expansion effort is overseas promotion work carried out jointly with market development cooperators from private industry—farm-oriented nonprofit groups, each representing its own commodity interest in foreign markets. Today there are more than 50 of these groups working with FAS on a continuing basis. All told, the cooperator program represents the interests of over 3.5 million farmers, 1,500 U.S. cooperatives, and more than 7,000 processors and handlers.

A Long History

The role of cooperators resulted from the agricultural Trade Development and Assistance Act of July 1954 (P.L. 480). Congress and other policymakers at that time recognized that the United States had an agricultural bounty that should be used not only for the benefit of U.S. consumers, but also for the growing populations in other countries of the world. The potential for commercial agricultural sales was there. What needed to be done was to develop the markets overseas.

Thus, soon after passage of P.L. 480—and following indepth studies of the appropriate role of government in expanding farm trade—USDA initiated its market development program, making the crucial decision to work with nonprofit broadly based, agricultural trade associations representing U.S. farmers wherever practicable.

The National Cotton Council was the first agricultural market development cooperator, signing an agreement with FAS for research and development of global cotton markets in May 1955. The newest cooperator group is the Livestock Exporters Association, which joined the ranks this year.

Foreign Involvment

The cooperator program is by no means solely a U.S. venture. Today, about 130 foreign cooperators—called "third-party cooperators"—are working closely with U.S. cooperators and FAS in planning and implementing market program activities in 138 countries. They also are sharing in the program costs. This involvment reflects the mutually beneficial results of the activities undertaken.

In the early years of the program, when the mutual benefits were not readily apparent, foreign participation was modest. However, by the early 1960's, market development was beginning to pay important dividends, and annual foreign contributions reached $2 million. Since 1965 foreign contributions to the program have risen rapidly, from $2.4 million (20 percent of total program expenditures) to $31.6 million in 1983 (about 38 percent of expenditures). In established markets, such as Western Europe and Japan, the basic job of the cooperator program is to support a vigorous U.S. export trade in the face of intense competition from third country and domestic suppliers, who often enjoy high levels of subsidization.

Example of the kinds of marketing efforts currently being conducted in these established markets are:

- Technical trade servicing—which means helping buyers overseas to choose the right U.S. product and to use that product efficiently;
- Joint promotion efforts with host country businessmen; and
- Trade and consumer press contacts and advertising.

Activities in New Markets

Increasing emphasis is being placed on expanding U.S. agricultural exports to new markets. In these new markets—such as those emerging in the oil-rich OPEC nations and the less developed economies—a different set of marketing strategies is needed.

Cooperator activities in these areas are much more heavily weighted toward the early phases of market development. Representations to government and trade, marketing research, product testing, product demonstrations and educational activities are far more prominent.

Project Selection

While the cooperator program is sponsored, guided and partially funded by FAS, it is the cooperators who initiate market development projects and have the responsibility for carrying them out.

Developing a project plan requires a great deal of background research. Cooperators must study the constraints to marketing a particular commodity in a particular market, the potential capability for the country to produce the commodity; competition from other suppliers and the economic situation and prospects for the future that could have a bearing on the ability of the country to import the commodity. Cooperator organizations must also assess their own available resources for developing the markets and U.S. agriculture's ability to deliver once the demand is there. Only after this basic spade work is done can a plan of operation be drafted. Basically, this marketing plan sets forth the overall objective, and details the specific programs and projects to be undertaken.

Many different groups participate in fleshing out the plan. Included are the cooperator staff, both U.S. and foreign national; U.S. agricultural attaches, trade officers and other FAS officials. All these individuals contribute ideas and concepts to improve the effectiveness of the plan.

Financing

Financing of cooperator-generated market development projects is shared by: FAS, the agricultural cooperator and—depending on the type of activity—by the foreign organizations involved in the import and use of the particular commodity.

The major share of this funding comes from the private sector. FAS expenses connected with the program are small compared with the value of U.S. agricultural exports. For example, in fiscal 1982, when farm exports totaled $39 billion, FAS spent just $21.5 million for the cooperator program. On an overall basis the cooperators and the foreign cooperator groups match FAS contributions two to one.

To be eligible for USDA financial assistance, a cooperator project must give promise of effectively contributing to the creation, expansion or maintenance of agricultural markets abroad, with primary emphasis being granted to those in potential dollar markets. Preference is given to promising early results and lasting benefits.

Government/Trade Groups Share Cost of Market Development Projects Overseas

In million dollars

	Government	U.S. Trade Groups	Foreign Trade Groups
Grain & Feed	7,800	7,900	13,300
Oilseeds	4,000	5,300	6,800
Cotton	3,700	2,300	8,300
Livestock & products	2,300	3,400	1,700
Fruits & vegetables	1,600	3,400	3,400
Tobacco & Seeds	100	700	—
Forest products	500	1,000	—
State Groups	700	900	—
Total	**18,400**	**24,900**	**33,500**

Guide to U.S. Market Development Cooperators

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American Quarter Horse Association
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Appaloosa Horse Club, Inc.
Box 135, Route 5
Leesburg, Fla. 32748
Frank Jack, Executive Secretary
Phone: (208) 882-5578

Brown Swiss Cattle Breeders Association, Inc.
P. O. Box 1038
Beloit, Wis. 53511
George Opperman, Secretary-Treasurer
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EMBA Mink Breeders Association
6214 Washington Avenue, P.O. Box 941
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Holstein-Friesian Association of America
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National Association of Animal Breeders
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National Association of Swine Records
American Yorkshire Club, Inc.
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International Institute for Cotton
A world organization for cotton research and promotion of which the United States is a member.

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American Wood Preservers Institute
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Theodore J. Duke, President
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Appalachian Hardwood Manufacturers, Inc.
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Fine Hardwoods - American Walnut Association
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Country Briefs

Brazil

Poultry Growth Stalls

Brazil's poultry industry experienced its first downturn in 1983 after a decade of steady growth. Causes for the decline were:

—higher production costs, as a result of rapidly rising prices for corn and soybean meal;

—sluggish domestic demand as a result of reduced consumer purchasing power, and

—a weak export market, the leading cause for both the value and volume of Brazil's export sales slip.

The cut in broiler production occurred chiefly among Brazil's non-integrated or small producers, principally in the state of Sao Paulo. The integrated firms, most of which are in Santa Catarina and Rio Grande do Sul, increased their output and are now responsible for over 50 percent of Brazilian broiler production.— *G. Stanley Brown, Agricultural Counselor, Brasilia.*

Cameroon

Growing Market For Meats

Cameroon's imports of meat, feed and dairy products have accelerated since 1980 as oil export earnings increased national income and led to rapid urbanization. The value of meat and dairy imports in this Central African nation of 9 million persons reached $16 million in 1983. Despite major new investments in livestock and fisheries, imports are increasing much faster than domestic production.

Tinned, prepared items comprise the single most important category of meat imports. They are well suited to conditions in this developing country where refrigeration is not widespread and transportation can be difficult. Since 1979, tinned meat imports have nearly quadrupled to over $4 million in 1983. Pork imports—mostly bacon and sausage—also increased rapidly.

Chicken is the most popular of fresh meats in urban areas. Imports of frozen and chilled poultry increased nearly tenfold between 1976-83 to 520 tons. The volume of mutton imports increased eightfold over this period, while beef and veal imports nearly quadrupled.

Dairy imports have also risen, from $5.2 million in 1976 to over $9.0 million in 1983. Imports of dry powdered milk have surpassed imports of evaporated milk since Milky Way began production of sweetened condensed milk in 1982.— *Mary Burfisher, Economic Research Service. (202) 447-8457.*

Japan

Corn Sweeteners Hit By Surcharge

A surcharge imposed on high fructose corn sweeteners (HFCS) has played a part in ending the rapid growth of Japan's starch industry. At the same time, the surcharge also appears to have stimulated sugar consumption by making sugar more price competitive with corn sweeteners.

The surcharge was levied by the Japanese government to help finance the sugar price stabilization program. The sugar program was traditionally financed with revenues from surcharges on imported sugar, but those revenues slipped in recent years as domestic producers supplied a larger percentage of Japan's sugar. Since HFCS was competing directing with sugar, the Japanese government decided that the corn sweetener industry should share the burden of financing Japan's sugar program.

The size of the surcharge on HFCS changes from year to year based on a complex formula tied to Japan's target prices for sugar. To date, however, it has averaged about 3 percent of the wholesale price of HFCS. Thus, it probably has been too small to account for all of the change in starch and sugar consumption. The slowdown in the growth of Japan's starch industry also can be attributed to some extent to the fact that most food processors and soft drink manufacturers had already made the switch to corn sweeteners by the time the surcharge was implemented.— *William L. Davis, Jr., Agricultural Counselor, Tokyo.*

China

Storage Construction Receiving Emphasis

Big increases in grain and cotton production have encouraged the Chinese to begin a four-year, $1-billion construction program for storage facilities for grains, cotton and fruit.

The project will add 20 million metric tons to China's grain storage capacity, 500,000 tons for cotton transit and reserve storage, and 200,000 tons for fruit storage. When completed, the national grain, cotton and fruit storage capacities will be up by 20, 50 and 145 percent, respectively.

Of the projected grain storage, half will be built in the countryside, in order to overcome the problems faced by many farmers in their handling of grain to be sold to the state. These rural grain storage facilities are to be set up by the end of 1984. The other half will be built as part of the construction of grain producing bases, transit and reserve grain storage, import and export areas, and urban grain storage centers.

Cotton transit and reserve storages will be built in the major cotton growing areas such as Shandong, Hebei and Henan, or at major harbors.

The fruit cold storages will be set up in fruit producing areas and cities.

The planned storage expansion should help China's internal handling of domestically produced commodities and also imported products, particularly grain. Grain silo storage capacity at the eight major ports is only 100,000 tons, and this is augmented by another 94,000 tons of warehouse storage.— *Norman R. Kallemeyn, Agricultural Counselor, Beijing.*

Italy

Kiwi Fruit Production Gaining

Italy now ranks as the world's third largest kiwi fruit producer after New Zealand and the United States, and further expansion is anticipated over the next several years. According to trade contacts, Italy's production was slightly above 6,000 tons in 1983 from a planted area of roughly 2,000 hectares. Slightly over half of Italy's production is exported to other countries in Europe, including France which is itself a kiwi producer.

Kiwi planting in Italy dates back to the late 1960's, although the first orchards were more or less hobby farms. The modern kiwi industry became established in the late 1970's. By far the most important variety grown is Hayward, which comprises 72 percent of Italian production.— *James Rudbeck, Agricultural Counselor, Rome.*

Malaysia

Corn Demand Increasing

Malaysia offers growing opportunities for U.S. corn exporters, as production of its main supplier—Thailand—is failing to keep up with demand. So far, most Malaysian imports from origins other than Thailand have occurred during the first half of the year. That is a period when Thai supplies are relatively tight and heavily committed. After a good Thai harvest, it is very difficult for other suppliers to compete.

Thai corn generally is a more attractive buy because of the shorter finance period from a nearby origin, because it comes already bagged (much of the corn imported is resold for farm mixing), and because of its deep yellow color. High moisture also is rarely a problem with Thai corn. In contrast, when buying U.S. corn, importers must specify (and sometimes pay a premium for) a maximum of 14 to 14.5 percent moisture for No. 2 yellow corn if it is to be stored for any length of time in Malaysia.

However, improvements in Malaysian port facilities for direct unloading into silo storage are making it easier for the United States to exploit its advantage as a volume shipper in years when U.S. corn prices are as low as those of competitors.— *Daniel B. Conable, Agricultural Attache, Kuala Lumpur.*

Malaysia

National Agricultural Policy Announced

A national policy for agriculture, in the works since the late 1970s, has finally been announced by the Malaysian government. While the plan only hints at some of the steps that will be taken to accomplish its goals, it is clear on the overall objectives: to increase productivity and to make more rational use of Malaysia's resources.

Departing from the line taken a decade ago, the planners have identified self-sufficiency as an impractical goal, even in the case of the major staple crop, rice. Instead efforts will be directed at promoting production of those crops for which Malaysia is a low-cost producer.

The national policy plan endorses the consolidation of uneconomic landholdings as well as mechanization to alleviate an anticipated shortage of agricultural workers over the next two decades. Settlement of new lands will continue, though new demands may be placed on settlers to decrease their dependence on the government. Tax incentives will be used in preference to subsidies to promote favored activities and investments. *— Daniel B. Conable, Agricultural Attache, Kuala Lumpur.*

Spain

U.S. Share of Soybean Meal Market Slipping

Last season both Spain's imports and exports of soybean meal were at an all-time high. A large proportion of Spain's imports were Brazilian pellets, which were bagged in Spain and re-exported, chiefly to Mediterranean countries. Exports in 1983/84 are expected to remain at about the same level as last season—and presumably will continue to compete with U.S. meal in third country markets.

The U.S. share of Spain's soybean meal market declined to a low of 9 percent in 1982/83; and trade sources do not expect much improvement in U.S. sales this marketing year. The strong U.S. dollar and stiff Brazilian competition are likely to continue to hamper sales. In addition, trade sources anticipate a sharp decline in Spain's meal imports in light of the improved competitive position of domestically produced meal and somewhat weaker demand in Spain's export markets. *—Fred W. Traeger, Agricultural Counselor, Madrid.*

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